

**Energy Choices, Inc.
1954 First Street, Ste. 106
Highland Park, IL 60035**

March 28, 2005

Mr. Harry Stoller
Illinois Commerce Commission

Re: Second Round Comments – Request for Public Comment Concerning the
Implementation of Governor Blagojevich’s proposal for a sustainable Energy Plan
for Illinois

Dear Mr. Stoller:

The following second round comments address the proposed method for implementing the Energy Efficiency Portfolio Standard in Governor Blagojevich’s proposal for a Sustainable Energy Plan for Illinois.

The first round responses from electric utilities and alternative retail electricity suppliers indicated that many issues must be overcome and challenges addressed before the first efficiency measure is installed. These issues include; cost recovery, allocation of programming among customer classes, and requirements for reporting. From the end user’s perspective there are two major concerns that need to be added to the list: 1) too much market power put in the hands of a few providers of services (which will inhibit competition and obscure price transparency, thereby resulting in a disproportionate portion of the savings staying with the implementers of the measures rather than the end users); and 2) programming discrimination due to poor or absent credit history.

An alternative to the proposed method for competitive procurement of efficiency measures, which sidesteps many of the aforementioned issues, is for the state to issue 10-year bonds (current yield approximately 5%) and have DCEO administer the projects much like the successful Institution Conservation Program (ICP). Under the ICP, DCEO (and previously DCCA and DENR) would solicit energy efficiency projects from institutions of higher education and administer an annual competitive auction. The process worked well and could be directly transferable to commercial and industrial customers. Because the state would have a lower cost of capital than third party providers, a greater portion of the funding would go towards the installed hardware that saves energy and improves the environment. This proposed process would still allow end users to draw upon the extensive expertise of the utilities for implementing such measures, but it would be in a relationship that would be optional, open and more transparent. Recovery of the cost for implementing the measures could be through a rider on the customer’s monthly electric bill. Another benefit of having DCEO administer the process is that the proposed \$10 million seed money can come from the bond sale,

thereby ending the discussion of how the seed money funding is to be allocated among the stakeholders.

A back-of-the-envelope calculation, using conservative assumptions, shows that a minimum investment of \$2 billion will be required to meet the proposed reduction in load growth through 2017 – approximately \$100 million will be required in 2006 alone. This investment needs to be spent wisely. Commercial and industrial end users are the economic engine in Illinois. The continued existence of their businesses is being challenged by rising electricity and natural gas prices. The greater the share of that \$2 billion investment that goes towards purchasing and installing energy-saving hardware, the better off all state residents will be.

We look forward to working group sessions next month.

Thank you.

Sincerely,

Craig Schuttenberg
Vice President, Energy Choices, Inc.